

NEW MEX
Minerals Inc.

NEW MEX
MINERALS INC.

2000

ANNUAL
REPORT

NEWMEX MINERALS INC.

ANNUAL GENERAL MEETING

The Annual Meeting of Shareholders will take place at 3:00 pm. on Wednesday, March 28, 2001 at The Laurel Point Inn, 680 Montreal Street, Victoria, British Columbia V8V 1Z8

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CORPORATE PROFILE

Winspear Business Reference Library
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

Management believes that today's depressed commodity prices, and the lack of capital available to fund mining exploration and production operations, have placed Newmex in a good position for growth.



The company's primary focus is on the acquisition of partially-developed or past-producing, but currently inactive, mineral projects whose potential economic viability can be evaluated directly without incurring high-cost and high-risk exploration.

The current depressed state of the minerals industry, brought about by

continuing low metals prices and poor capital markets for mineral investments, provides exceptional opportunity to capitalize on this strategy through low-cost acquisition of high-quality but undervalued projects. Following this strategy, Newmex has assembled a portfolio of mining properties and mineral interests capable of satisfying both its medium and longer-term objectives—to realize significant returns at minimal cost through the exchange or sale of selected interests, and to bring a mine into economic production.

PRESIDENT'S REPORT



During 2000, metal prices continued to languish at low levels, and new equity capital for mineral projects remained scarce. Newmex, however, has capitalized on these conditions through an aggressive acquisitions program, targeting high-quality but undervalued projects. Following this strategy, we have significantly expanded our portfolio of mineral projects and interests, increasing potential for both short-term gains, as realized in the Golden Phoenix deal, and strengthening the company's asset base for long-term value appreciation and eventual cash flow from operations.

In October 2000, Newmex acquired a 14.8% interest in Golden Phoenix Minerals Inc., through the sale of its participating interest in the Borealis project for three million units of Golden Phoenix, valued at US\$600,000. Concurrent with the property sale, Newmex has also subscribed for three million units of Golden Phoenix for US\$600,000 in cash. Each unit consists on one Golden Phoenix common share and one common share purchase warrant exercisable at US\$0.13 per share for a period of two years.

The entire transaction provides Newmex with a potential 25.8% equity position in Golden Phoenix. Through this transaction, Newmex has realized all of the following: a significant gain on its original 1999 investment of US\$340,000; participation in Golden Phoenix's advanced-stage Mineral Ridge project, which is scheduled for production later this year; and participation in Golden Phoenix's Contact project, on which a major copper resource has been outlined. The Golden Phoenix projects are all described in greater detail in the Operations Review.

Elsewhere in the United States, exploration activities at the company's Chocolate Peak copper-manganese project in New Mexico were successful in increasing the resource base by 32%. We believe that work carried out at Chocolate Peak has positioned the company to realize significant added value through development of the project or future sale, once industry conditions reverse.

In November 2000, Newmex further strengthened its copper position through acquisition of the Four Metals project in Arizona. Four Metals contains a well-delineated resource of 8.2 million tons grading 0.58% copper, potentially amenable to low-cost, in-situ leaching, and fits the Newmex profile of projects with good potential for near-term development.

At the company's Privateer gold mine in British Columbia, small-scale production initiated in 1999 has ceased, however we are continuing to carry out geologic work to identify targets for larger-scale production. Flow-through funds of \$150,000 have been raised to carry out this work in early 2001.

The Cala Abajo project in Puerto Rico, in which Newmex holds an 80% interest through its shareholdings in Southern Gold resources (USA) Inc., contains a major copper-gold deposit whose development remains delayed by a restrictive permitting regime. The company has kept the project on a maintenance-only basis while it assesses options for either limited development consistent with local regulations, or possible sale.

In closing, I would like to take this opportunity to thank our shareholders for their continuing patience and support. Although our share price reflects the market's lack of interest in this sector, we are continuing in our efforts to assemble a portfolio of promising mining properties through which we believe significant value will be realized once industry conditions reverse.

On behalf of the Board of Directors,

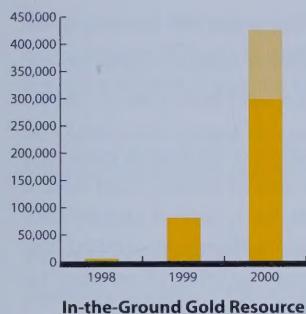
A handwritten signature in black ink, appearing to read "Peter J. Workum".

Peter J. Workum

President

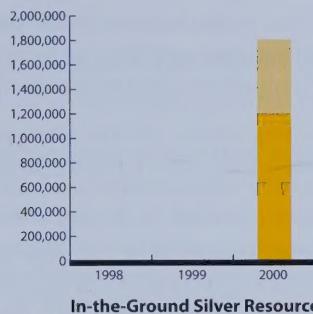
GRAPHICAL REVIEW

Troy Ounces



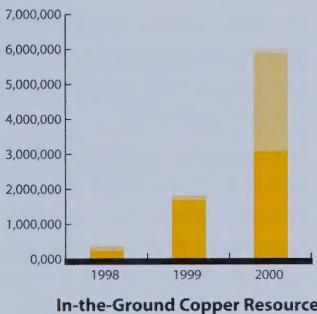
In-the-Ground Gold Resource

Troy Ounces



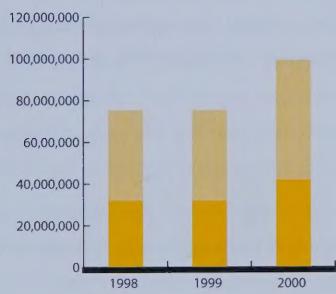
In-the-Ground Silver Resource

Pounds



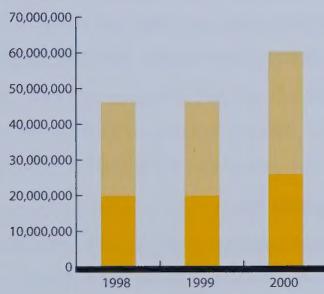
In-the-Ground Copper Resource

Pounds



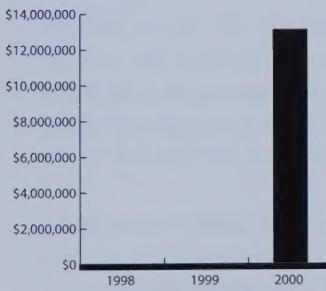
In-the-Ground Manganese Resource

Pounds



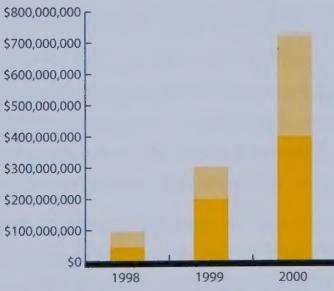
In-the-Ground Zinc Resource

US\$



Total Dollar Value of
Proven/Permitted In-the-Ground Reserves
(based on Gold at US\$270/oz.,
Silver at US\$4.85/oz.)

US\$



Total Dollar Value of
In-the-Ground Reserves
(based on Gold at US\$270/oz., Silver at US\$4.85/oz.,
Copper at US\$0.90/lb, Zinc at US \$0.50/lb.,
Manganese at US \$0.50/lb)

Inferred

Indicated

Measured

Proven

REVIEW OF OPERATIONS

FINANCIAL

Newmex's parent, Proprietary Industries Inc., has funded Newmex for the past several years, and will continue to do so until the company is self-funding through operating cash flow. An impressive portfolio of mineral properties and interests has been assembled, through which management remains focused on its goal of bringing a mine into full and profitable production.

In a transaction valued at US\$600,000, in October 2000 Newmex exchanged its 32.0% interest in the Borealis gold/silver project for three million common shares and three million common share purchase warrants of publicly listed Golden Phoenix Minerals Inc. (OTCBB:GPXM). Newmex acquired its Borealis interest in 1999 for a cost of US\$340,000. Concurrent with the property sale, Newmex has also subscribed for three million units of Golden Phoenix for US\$600,000. Each unit consists of one common share and one common share purchase warrant exercisable at US\$0.13 per share for two years. The entire transaction provides Newmex with a potential 25.8% equity position in Golden Phoenix.

In December 2000, Newmex raised \$150,000 in a private placement of 125,000 "flow-through" common shares at a price of \$1.20 per share. The proceeds of the private placement will be used for further exploration of the Privateer Mine located near the town of Zeballos on Vancouver Island.

Newmex has entered into an agreement with a publicly traded company to acquire 8,000 ounces of gold, deliverable over 15 months, for an immediate cash payment of \$2 million. The gold, or cash equivalent, is to be received in quarterly payments ending on September 30, 2001. At current prices, Newmex would earn approximately \$750,000 in profit over the term of the agreement. Newmex has the option to receive the gold or cash equivalent at a minimum guaranteed price of US\$250 per ounce.

U.S.A.

Golden Phoenix Minerals Inc.

Newmex holds a 14.8% interest in Golden Phoenix Minerals, Inc., and owns options to increase this interest to 25.8% through exercise of common share purchase warrants.

Golden Phoenix specializes in the acquisition and development of advanced-stage mineral properties with good prospects for near-term production and potential for additional resources. Its most advanced property, the recently acquired Mineral Ridge gold mine in Nevada, is fully permitted for production as an open pit, heap leach operation capable of producing 40,000 ounces gold per year from a current reserve base of 193,114 ounces. The cash infusion from the Newmex placement is dedicated to the resumption of production from Mineral Ridge in 2001.

In addition to Mineral Ridge, Golden Phoenix's properties include the Borealis gold/silver project and the Contact copper project, both of which contain substantial identified mineral resources.

Mineral Ridge:

The Mineral Ridge gold property was operated during the 1940's as an underground mine, and more recently in the 1990's as an open pit, heap leach mine with a historical production of approximately 650,000 ounces gold. Plant and related infrastructure remain in place, and Golden Phoenix is currently preparing a revised reclamation plan required for the transfer of active operating permits necessary for resumption of production in mid 2001.

Mineral Ridge was independently identified as a turn-around opportunity by both Newmex and Golden Phoenix during the first quarter of 2000. During the fall of 2000, Newmex management decided that taking advantage of the synergies between the two companies would be the optimal method of pursuing this opportunity and, consequently, Newmex's investment in Golden Phoenix was made.

The Mineral Ridge Mine has an audited, in-place ore reserve in the active Drinkwater pit and the permitted Mary pit of 2.39 million tons averaging 0.08 opt Au (193,114 ounces). Both the Drinkwater and Mary reserves are independently audited, at a cut off grade of 0.035 opt, and represent proven, mineable reserves properly engineered for development in the current Golden Phoenix mine plan. In addition, the large land package that accompanied the mine purchase is highly

REVIEW OF OPERATIONS

mineralized, has numerous ore grade outcroppings throughout, and offers significant potential to expand the current drill defined reserve and resource base at the property.

Investigations by Golden Phoenix and Newmex indicate that the previous operation at Mineral Ridge failed due to excessive dilution resulting from poor grade control and use of oversize equipment. The Golden Phoenix mine plan calls for the use of smaller, more nimble equipment to selectively mine the vein-like gold deposits and maintain higher head grades. By following this practice, management is optimistic that the mine can be profitably operated at current gold prices.

Borealis:

The Borealis gold property, now controlled 100% by Golden Phoenix subject to an underlying lease with modest royalty payments, consists of 268 mining claims covering the site of the former Borealis open pit, heap leach gold mining complex in west central Nevada. The Borealis mine was operated by Echo Bay Mines, Inc. and its corporate predecessors, producing 475,000 ounces gold from 10,700,000 tons of ore between 1981 and 1991. Echo Bay mined only near-surface oxide ores at Borealis, leaving substantial mixed oxide-sulfide and sulfide gold mineralization unmined and only partially developed. An extensive database, including approximately 2000 drill holes costing upwards of US\$12,000,000, is being utilized to evaluate the current viability of redeveloping the mine to treat the remaining resources.

The current resource estimate for Borealis, published by Golden Phoenix this year, stands at 30,872,400 tons grading 0.045 opt gold and 0.21 opt silver, containing 1.34 million ounces gold and 6.43 million ounces silver, in ten deposits. Due diligence by Newmex consultants, Henkle and Associates of Reno, Nevada, suggests that the Golden Phoenix estimates are within industry standards for indicated resources. In addition to the in-place resource at Borealis, an additional 160,000 ounces gold remains in five reclaimed heaps on the property, and offers potential for near-term, low cost production.

Because the previous operators only mined open-pittable, easily heap-leachable oxide ores at Borealis, most exploration was limited to shallow depths. Consequently, the extent of the deeper, often higher grade deposits remains open both laterally and at depth. Golden Phoenix and Newmex management believe the project area offers excellent potential for significant additions to existing resources through straightforward delineation drilling.

Contact:

Golden Phoenix also holds a 100% interest, subject to underlying lease and royalty payments on production, in the Contact copper project located in northeast Nevada. The project contains a geologic resource estimated by Golden Phoenix of 61,513,000 tons averaging 0.77% copper.

Newmex considers the exchange of its minority interest in the Borealis project for a significant equity position in Golden Phoenix, with its additional project interests at Mineral Ridge and Contact, and its experienced management group, an important strategic move in realizing value for its investments and increasing exposure to near-term production both directly and indirectly.

Four Metals Copper Project

In November 2000, Newmex acquired an option to purchase the Four Metals Copper Project in Arizona, subject to a 2% gross revenues royalty in the event of production, for a purchase price of US \$250,000. An initial payment of US \$10,000 has been made and further payments of US \$10,000 will be made annually.

The Four Metals Project has been the subject of considerable past work, including underground development, drilling and metallurgical test work. Past operators have delineated a measured and indicated resource, which has been verified by Henkle and Associates, containing 8.2 million tons grading 0.58% copper, potentially recoverable by low cost leaching methods.

REVIEW OF OPERATIONS

Chocolate Peak, Grant County, New Mexico

Newmex completed a 12-hole drilling program at its Chocolate Peak porphyry copper-manganese property in the Tyrone district, New Mexico, during the year. The work served to increase the measured and indicated resource at the Big Dipper deposit to 10.6 million tons at 0.20% copper, 0.28% zinc and 0.49% manganese. Drilling and geophysics indicate the deposit remains open to the north. Drilling elsewhere in the project intercepted anomalous but sub-ore mineralization.

Wild Irishman, Grant County, New Mexico

The Wild Irishman silica prospect, located near Phelps Dodge's Tyrone copper mine in Grant County, New Mexico, remains under evaluation as a potential small scale source of silica flux for local smelters.

Northern Carlin Trend, Elko County, Nevada

In September 2000, Newmex dropped its 75 per cent interest in 102 unpatented mining claims in two separate areas adjacent to a northern extension of Nevada's prolific Carlin Trend Gold Belt. Management felt that costs of holding and exploring a grass-roots project such as this were excessively high, given the opportunities to acquire more advanced properties elsewhere.

CANADA

Privateer Mine, Zeballos, British Columbia

Newmex owns 100% of the Privateer gold project near the village of Zeballos, British Columbia. The project area consists of 34 Crown granted claims, covering 1,068 acres, including the formerly producing Privateer mine and mill. A small underground bulk sampling operation, carried out in 1999, indicated grades of 0.2 to 0.3 opt gold, which are currently considered sub-economic. However, higher grade areas in the mine and at surface are currently being evaluated for resumption of selective, small scale operations.

In November 2000, Newmex purchased 12 neighboring, Crown granted mineral claims for \$20,000 in cash and the issuance of 27,500 common shares of the company. The property contains the historic Mt. Zeballos gold mine, which produced approximately 30,000 ounces of gold from high-grade quartz veins typical of the district between 1938 and 1942. The property has remained unexplored since that time.

Using the proceeds of the private placement of 125,000 "flow-through" common shares, an exploration program will be undertaken at the property early in 2001.

PUERTO RICO

Cala Abajo Copper Gold Project, Puerto Rico

The Cala Abajo copper gold project in Puerto Rico is controlled through the 1999 acquisition of 80% of the shares of Southern Gold Resources (USA) Inc., which holds exploration rights to the project area. Brancote Holdings plc of London holds the remaining 20%.

The Cala Abajo project contains two important porphyry copper gold deposits, Cala Abajo and Piedra Hueca, which were discovered and extensively explored by Amex Inc. in the 1960's and 1970's. Amex demonstrated the presence of commercial grade deposits but was unable to permit development of the large scale (30,000 ton per day) open pit mining, milling, and smelter complex proposed at the time. Southern Gold obtained rights to the project in 1992 and undertook further investigations of a smaller scale operation thought to be more acceptable to permitting authorities. In 1995 the permitting situation became further clouded by legislation prohibiting open pit mining of metallic ores in Puerto Rico, and Southern has subsequently focused efforts on more selective, underground development of higher grade ores consistent with the existing law.

AUDITORS' REPORT

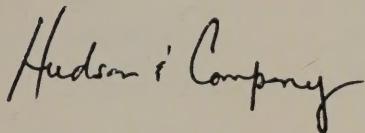
TO THE SHAREHOLDERS OF NEWMEX MINERALS INC.

We have audited the consolidated balance sheet of Newmex Minerals Inc. as at September 30, 2000 and the consolidated statement of earnings and retained earnings and cash flows for the period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2000 and the results of its operations and the changes in its cash flows for the period then ended in accordance with generally accepted accounting principles.

The financial statements for the preceding period were reported on by another chartered accountant without reservation.



Hudson & Company Chartered Accountants

Calgary, Canada

February 12, 2001

CONSOLIDATED BALANCE SHEETS

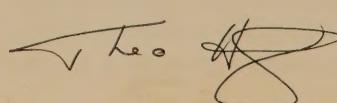
As at September 30, 2000 and December 31, 1999

	2000	1999
ASSETS		
Current		
Cash and short-term deposits	\$ 22,498	\$ 11,641
Accounts receivable	1,334	1,743
Deposits	32,610	30,500
	<hr/> 56,442	<hr/> 43,884
Investments (note 4)		
Golden Phoenix Minerals	1,760,127	-
Dakota Mining Corporation	-	594,183
Hampton Court Resources Inc.	<hr/> 2,240,000	<hr/> -
	<hr/> 4,000,127	<hr/> 594,183
Fixed assets – net	1,118	1,538
Mineral properties (note 5)	<hr/> 3,129,148	<hr/> 2,259,652
	<hr/> \$ 7,186,905	<hr/> \$ 2,899,257
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 258,515	\$ 116,732
Note payable (note 6)	1,000,000	-
Advances from parent company (note 7)	2,225,921	676,568
Advances from EnerGCorp, Inc (note 8)	1,606,643	505,102
Provision for future site restoration costs	20,000	20,000
	<hr/> 5,111,079	<hr/> 1,318,402
Note payable	<hr/> -	<hr/> 475,875
SHAREHOLDERS' EQUITY		
Share capital (note 9)	4,807,932	4,272,057
Deficit	<hr/> (2,732,106)	<hr/> (3,167,077)
	<hr/> 2,075,826	<hr/> 1,104,980
	<hr/> \$ 7,186,905	<hr/> \$ 2,899,257

Approved on behalf of the Board,



Peter J. Workum
President and Director



Theodor Hennig, C.A.
Vice President - Finance, Director

**CONSOLIDATED STATEMENTS OF EARNINGS
AND RETAINED EARNINGS**

For the nine month period ended September 30, 2000 and year ended December 31, 1999

	2000	1999
REVENUE		
Financing income (note 13(d))	\$ 241,110	\$ -
Gain on sale of mining properties	378,252	-
	<hr/>	<hr/>
	619,362	-
EXPENSES		
Consulting fees	33,341	8,325
Depreciation	350	1,094
Interest - Parent Company	76,324	47,587
Interest – other	16,835	8,607
Investor and public relations	7,057	4,104
Listing and filing fees	7,297	3,093
Office	11,450	42,969
Professional fees	25,535	20,310
Travel	6,202	9,404
	<hr/>	<hr/>
	184,391	145,493
Net earnings (loss) for the period	434,971	(145,493)
Deficit, beginning of period	<hr/>	<hr/>
	(3,167,077)	(3,021,584)
DEFICIT, END OF PERIOD	<hr/>	<hr/>
Earnings (loss) per share	\$ 0.06	\$ (0.02)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine month period ended September 30, 2000 and year ended December 31, 1999

	2000	1999
<i>Cash flows provided by (used in)</i>		
OPERATING ACTIVITIES		
Net earnings (loss) for the period	\$ 434,971	\$ (145,493)
Items not involving cash		
Gain on sale of assets	(378,252)	-
Depreciation	350	1,094
	<hr/> 57,069	<hr/> (144,399)
Change in non-cash working capital	3,790,976	1,145,286
	<hr/> 3,848,045	<hr/> 1,000,887
INVESTING ACTIVITIES		
Advances to Hampton Court Resources Inc.	(2,240,000)	-
Advances to Dakota Mining Corporation	-	(594,183)
Mineral property expenditures	(755,088)	(394,119)
Investment in Golden Phoenix Minerals Inc.	(1,760,127)	-
Proceeds on sale of mining properties	858,027	-
	<hr/> (3,897,188)	<hr/> (988,302)
FINANCING ACTIVITIES		
Common shares repurchased for cancellation	-	(7,711)
Common shares issued for cash	60,000	-
	<hr/> 60,000	<hr/> (7,711)
Increase in cash	10,857	4,874
Cash, beginning of period	11,641	6,767
Cash, end of period	<hr/> \$ 22,498	<hr/> \$ 11,641
Cash flow per share	<hr/> \$ 0.01	<hr/> \$ (0.02)
Interest paid and included in the determination of net earnings was	<hr/> \$ 93,159	<hr/> 56,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2000 and the year ended December 31, 1999

1. NATURE OF OPERATIONS

The Company's principle business activity is the exploration for and acquisition of mineral properties with a view to bringing them into production in a reasonably short period of time. Recoverability of the costs of mineral properties is dependent upon various factors, including the existence of economically recoverable reserves, the ability to obtain necessary financing to complete development, future profitable operations from the properties, or proceeds of disposition. Pending profitable operations, or disposal of the Company's properties, existing working capital and debt or equity financing must provide cash requirements.

2. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which in all material respects conform to the international accounting standards.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Apex Valley Resources Inc. and Kilo Distributors Ltd., and its 80% owned subsidiary Southern Gold (USA) Resources Inc.

Mineral Properties

Acquisition costs of mineral properties together with direct exploration and development expenditures thereon are deferred in the accounts. When production is attained, these costs are depleted using the unit of production method based upon estimated proven recoverable reserves. When deferred expenditures on individual properties exceed their estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are written-off when the decision to abandon is made. Currently there is no production at any of the properties, therefore there is no provision for depletion.

Earnings per share

Earnings per share is calculated using the weighted average number of common shares outstanding during the year.

Investments

The accounts of all subsidiary companies are consolidated from the dates of acquisition. Other long-term corporate investments are carried at cost. When there is other than a temporary decline in value, these investments are written down to provide for the loss.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fixed assets

Fixed assets are recorded at cost. Depreciation expense is computed as follows:

Equipment	straight-line over five years
Computer equipment	30% declining balance

Foreign currency translation

Monetary assets and liabilities are translated into Canadian dollars at the balance sheet date rate of exchange and non-monetary assets and liabilities at historical rates. Revenues and expenses are translated at appropriate transaction date rates except for depreciation and amortization, which are translated at historical rates. Gains and losses on translation are included in income.

3. ACQUISITION

During the year the Company acquired 80% of the shares of Southern Gold (USA) Resources Inc. from Dakota Mining Corporation by a conversion of the note receivable per note 3.

The purchase price was \$594,183 of which all of the cost was allocated to mining properties.

This acquisition has been accounted for using the purchase method and the results of operations have been consolidated from the date of acquisition.

4. INVESTMENTS

a) Golden Phoenix Minerals Inc.

The Company acquired 15% of the issued and outstanding shares of Golden Phoenix Minerals Inc. ("Golden Phoenix") and warrants which grant the right to purchase an additional 6,000,000 shares at a price of US \$0.13 per share. The warrants expire in October 2002. On the exercise of the warrants the Company would own approximately 26% of the issued and outstanding shares of Golden Phoenix.

b) Hampton Court Resources Inc.

The Company entered into a future gold purchase and sale agreement whereby the Company advanced Hampton Court Resources Inc. ("Hampton") \$2,000,000 in consideration for the future delivery of 8,000 ounces of gold. The agreement required a delivery of 1,500 ounces on September 30, 2000 at a guaranteed price of \$410 per ounce and the remaining 6,500 ounces on September 30, 2001 at a guaranteed price of \$375 per ounce.

c) Dakota Mining Corporation

During the year the Company converted its note receivable from Dakota Mining Corporation to the purchase of 80% of the shares of Southern Gold (USA) Resources Inc. as outlined in note 3.

5. MINERAL PROPERTIES

i) Privateer Mine, Zeballos, British Columbia

The Company has a 100% interest in 34 claims totaling 1,068 acres. As well, the Company owns an operational mill on site.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ii) Chocolate Peak Claims, Grant County, New Mexico

The Company has a 100% interest in 101 claims.

iii) Wild Irishman Claims, Grant County, New Mexico

The Company has 100% interest in 24 claims.

iv) Northern Carlin Claims, Elko County, Nevada

The Company abandoned this property during the year.

v) Cala Abajo, Puerto Rico

The Company has a 100% interest in mining claims totaling 2,736 acres.

6. NOTE PAYABLE

The note is payable to Hampton Court Resources Inc. for the balance owing on the gold purchase contract outlined in note 3. The note was paid subsequent to year-end.

7. ADVANCES FROM PARENT COMPANY

The advances from Proprietary Industries Inc. bear interest at an average rate of 17% per annum and have no fixed terms of repayment.

8. ADVANCES FROM ENERGECORP INC.

The advances from EnerGCorp Inc. are interest free, have no fixed terms of repayment and are payable in US dollars.

9. SHARE CAPITAL

Authorized

Unlimited number of common shares
without par value

Issued	Number	Amount
Balance at December 31, 1998	5,911,974	\$3,604,347
Issued on conversion of debt	1,055,345	675,421
Repurchased for cancellation	(12,000)	(7,711)
Balance as at December 31, 1999	6,955,319	4,272,057
Issued on conversion of debt	475,875	475,875
Issued for settlement of current liabilities	75,000	60,000
Balance as at September 30, 2000	7,506,194	\$4,807,932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Stock Options

On September 30, 2000, the following options to purchase 758,000 common shares were outstanding:

Grant Date	Number of Shares	Terms
October 18, 1995	41,000	\$0.83 per share, expiring October 18, 2000
April 18, 1996	12,000	\$0.83 per share, expiring April 18, 2001
May 23, 1997	60,000	\$0.83 per share, expiring May 23, 2002
February 24, 2000	645,000	\$0.40 per share, expiring February 24, 2000

The options granted on October 18, 1995 expired with no options being exercised.

10. INCOME TAXES

The Company has non-capital losses of \$1,279,221 available to reduce future taxable income. These losses are due to expire as follows:

2002-	\$ 141,033
2003-	320,723
2004- .	186,507
2005-	294,048
2006-	143,399
2007-	<u>193,511</u>
	<u><u>\$1,279,271</u></u>

The Company also has income tax pools in excess of related carrying values per the financial statements of approximately \$350,000.

No recognition has been given in these financial statements to the potential tax benefits associated with these losses and pools.

Income taxes on income earned for the current year has been eliminated as a result of the application of losses incurred in prior years.

11. COMMITMENTS

Chocolate Peak Claims

On June 23, 1997 the Company entered into a 20-year mining lease agreement for properties located in Grant County, New Mexico USA.

The agreement requires initial payments of \$5,000 USD escalating to \$20,000 USD for the later years of the lease with accumulated lease payments totaling \$284,500 USD.

At the time the Company commences commercial production the balance of the above payments are payable over a period of two years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company has the option to terminate the lease at any time with no further obligation extending beyond the termination date.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise cash, accounts receivable, deposits, accounts payable and accrued liabilities, advances from Proprietary Industries Inc., and EnerGCorp Inc., and note payable. The fair values of these financial instruments other than promissory note approximate their carrying values due to the short-term nature of the instruments. The fair value of note payable approximates its carrying value due to the rate of interest charged being close to the market rate of interest.

13. RELATED PARTY TRANSACTIONS

- a) The parent company, Proprietary Industries Inc., owns 55.3% of the issued and outstanding shares of the Company. During the year a note payable to Proprietary Industries Inc., in the amount of \$475,875 was converted to 475,875 common shares of the Company.
- b) EnerGCorp Inc., referred to in note 8 is a related party by virtue of common management and is a subsidiary of Proprietary Industries Inc.
- c) During the year the Company incurred interest charges from Proprietary Industries Inc., in the amount of \$76,324 (1999- \$47,587).
- d) The Company is related to Hampton Court Resources Inc. by virtue of common directors. Included in financial income is \$240,000 earned on the future gold contract outlined in note 4.

14. SUBSEQUENT EVENTS

On January 8, 2001 the Company closed a private placement of 125,000 flow-through common shares at a price of \$1.20 per share for total proceeds of \$150,000.

15. SEGMENTED INFORMATION

The Company is currently involved in one significant industry segment, being the exploration and development of mineral properties in the United States, Canada and Puerto Rico. The United States operations have identifiable assets of \$4,090,632 (1999- \$1,537,444), Canadian operations have identifiable assets of \$2,502,090 (1999- \$1,361,813) and Puerto Rico operations have identifiable assets of \$594,183 (1999 \$nil).

NOTES

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

James H. Bright

Reno, Nevada

Theodor Hennig, C.A.

Vice President, Finance

Secretary/Treasurer

Calgary, Alberta

Peter J. Workum

President and Chairman

Calgary, Alberta

TRANSFER AGENT AND REGISTRAR

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STOCK EXCHANGE LISTING

The Canadian Venture Exchange

Trading Symbol: NMM

INVESTOR RELATIONS

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or

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